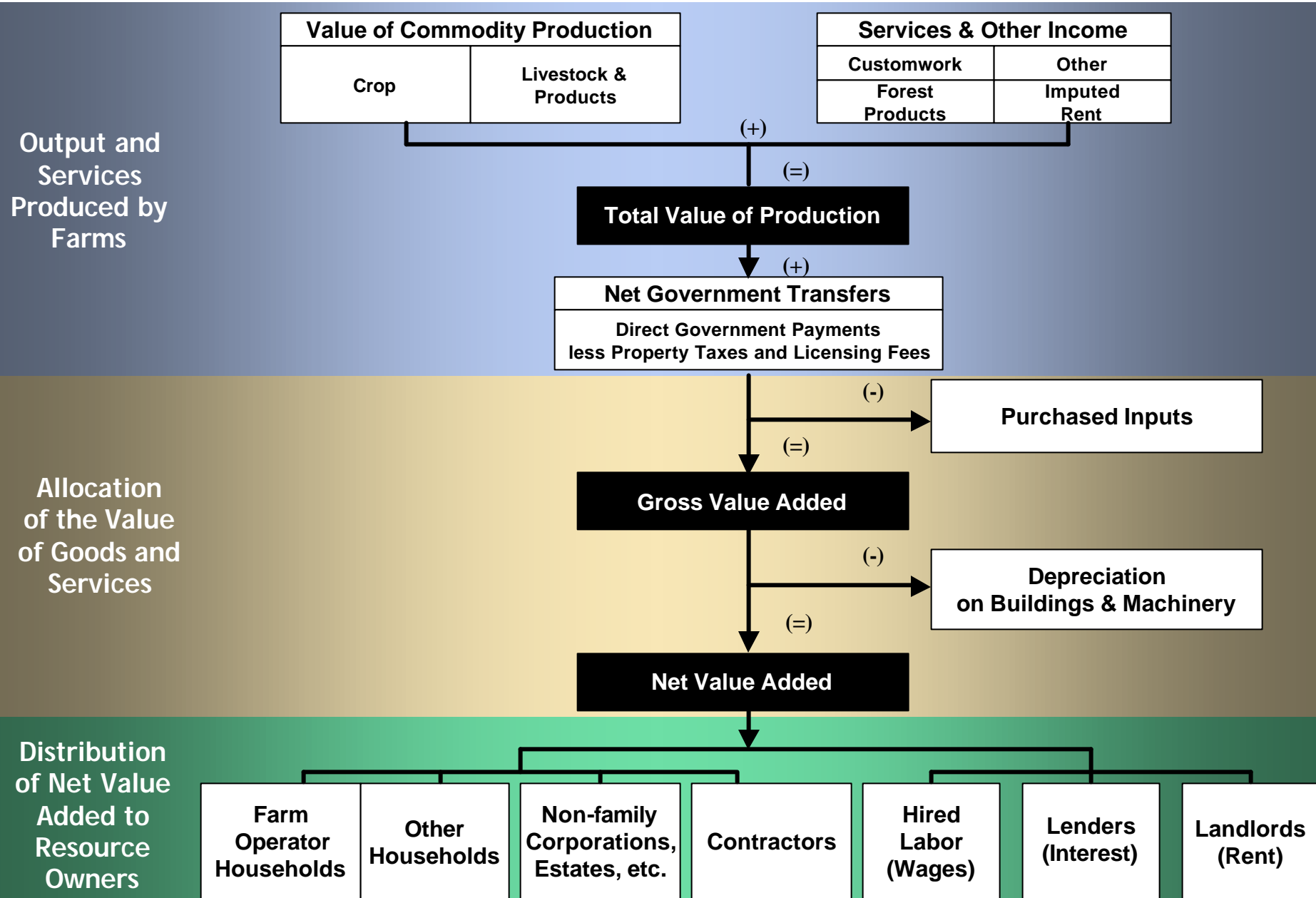

Economic Outlook for Farm Households and Their Farming Establishments

Ashok Mishra, Mitchell Morehart,
and James Johnson



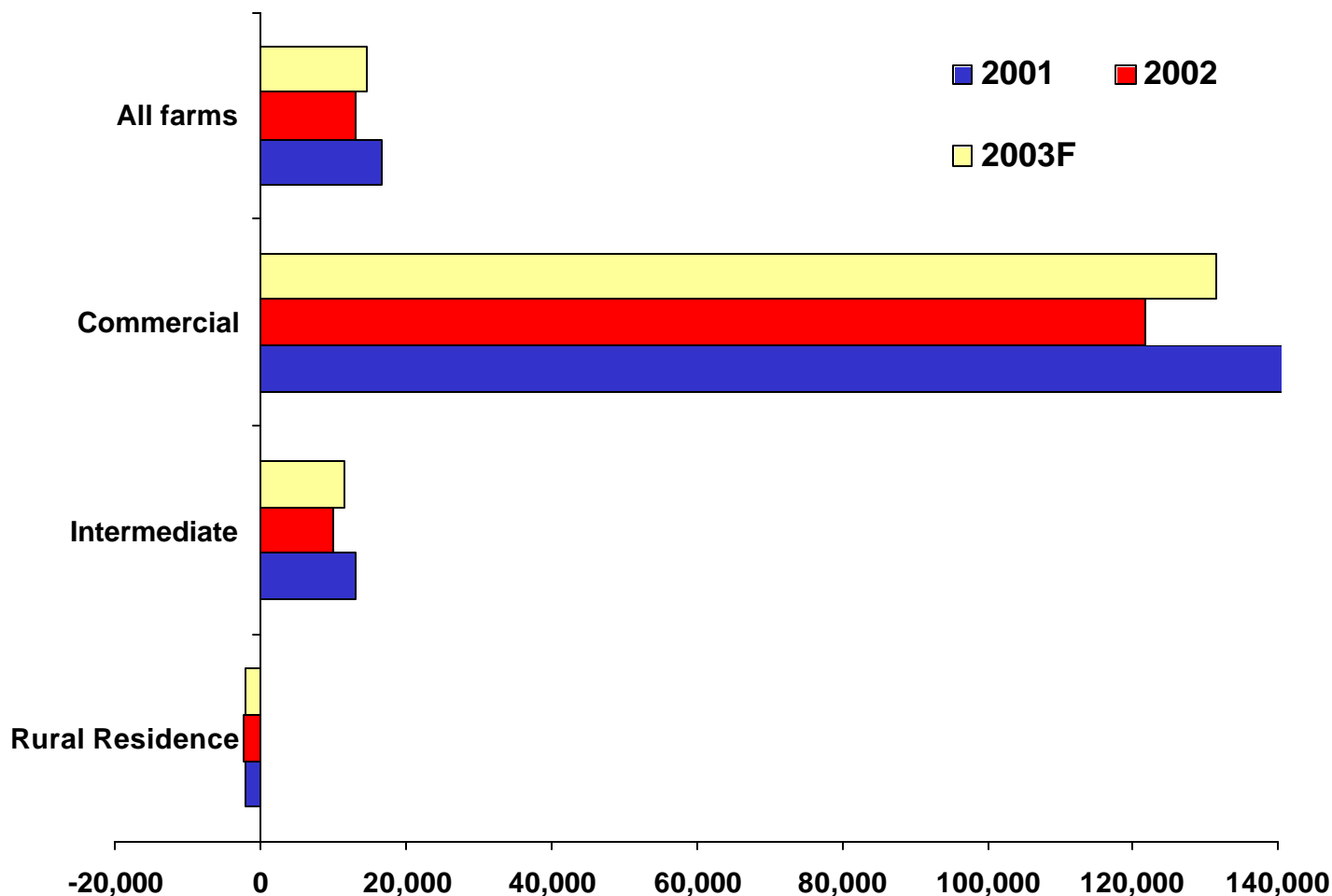
February 20, 2003

Farm Sector's Contribution to the National Economy

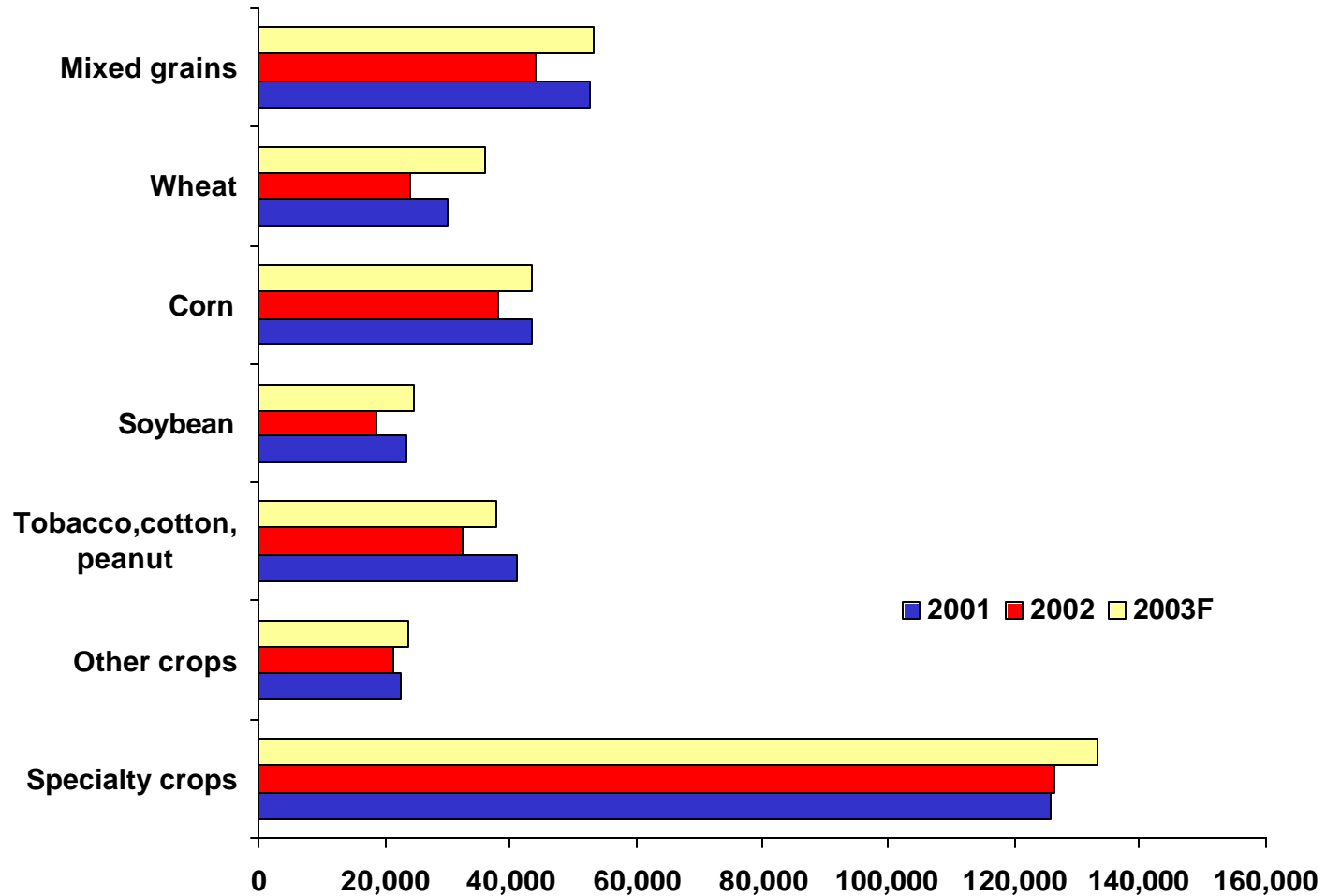


- ▶ “Net value added” is developed as a measure of income earned by those contributing resources to agricultural production
 - Hired labor, nonoperator landlord, agricultural lenders. (\$46 billion, 2003).
- ▶ Concerned about net cash income (NCI), it represents funds available to farm operators to meet family living expenses and make debt payments. NCI for 2003 is expected to be \$51.3 billion, a \$5 billion increase from 2002.
- ▶ NCI varies by farm size, farm specialization, and location.

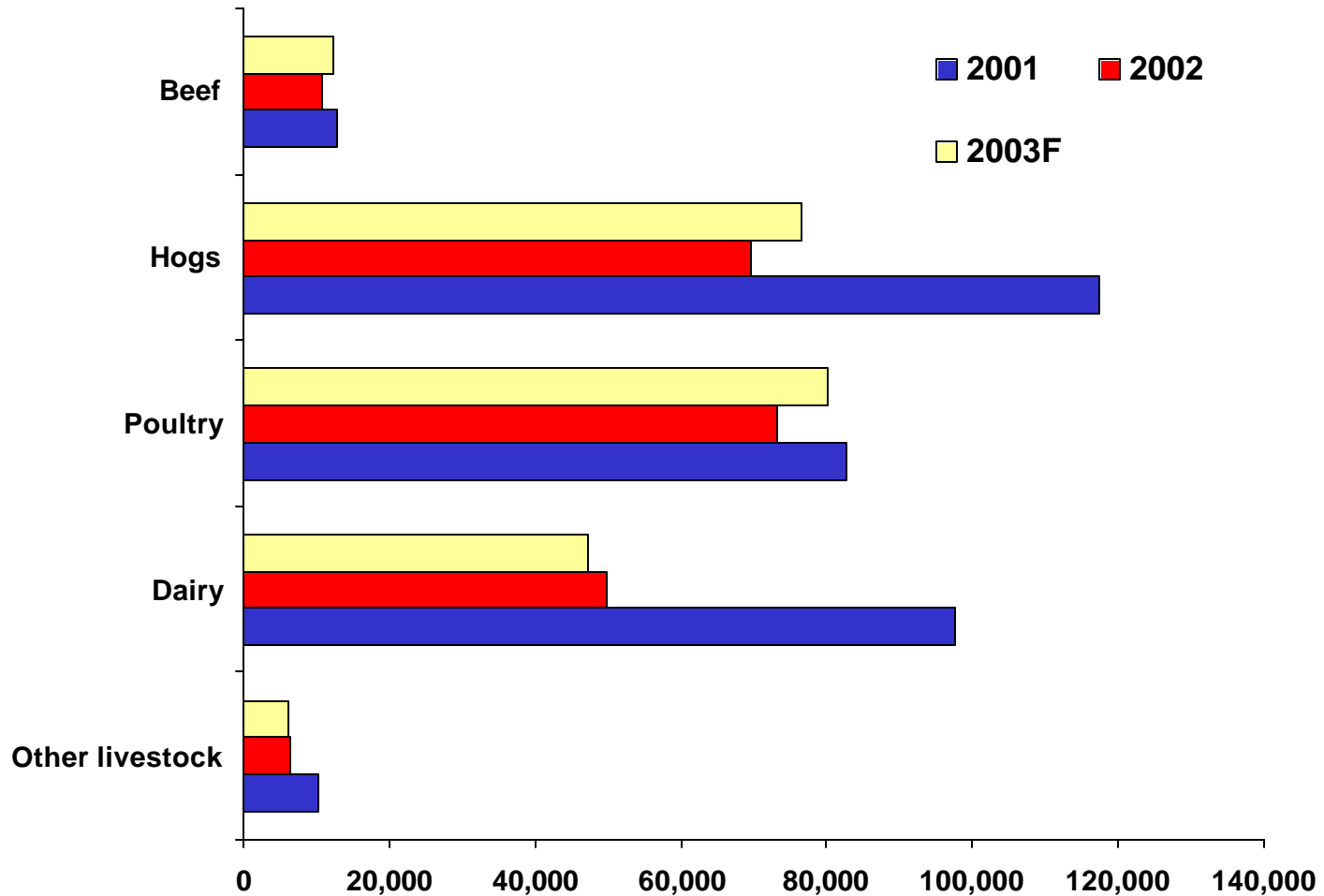
Average net cash income by collapsed farm typology, 2001-2003F



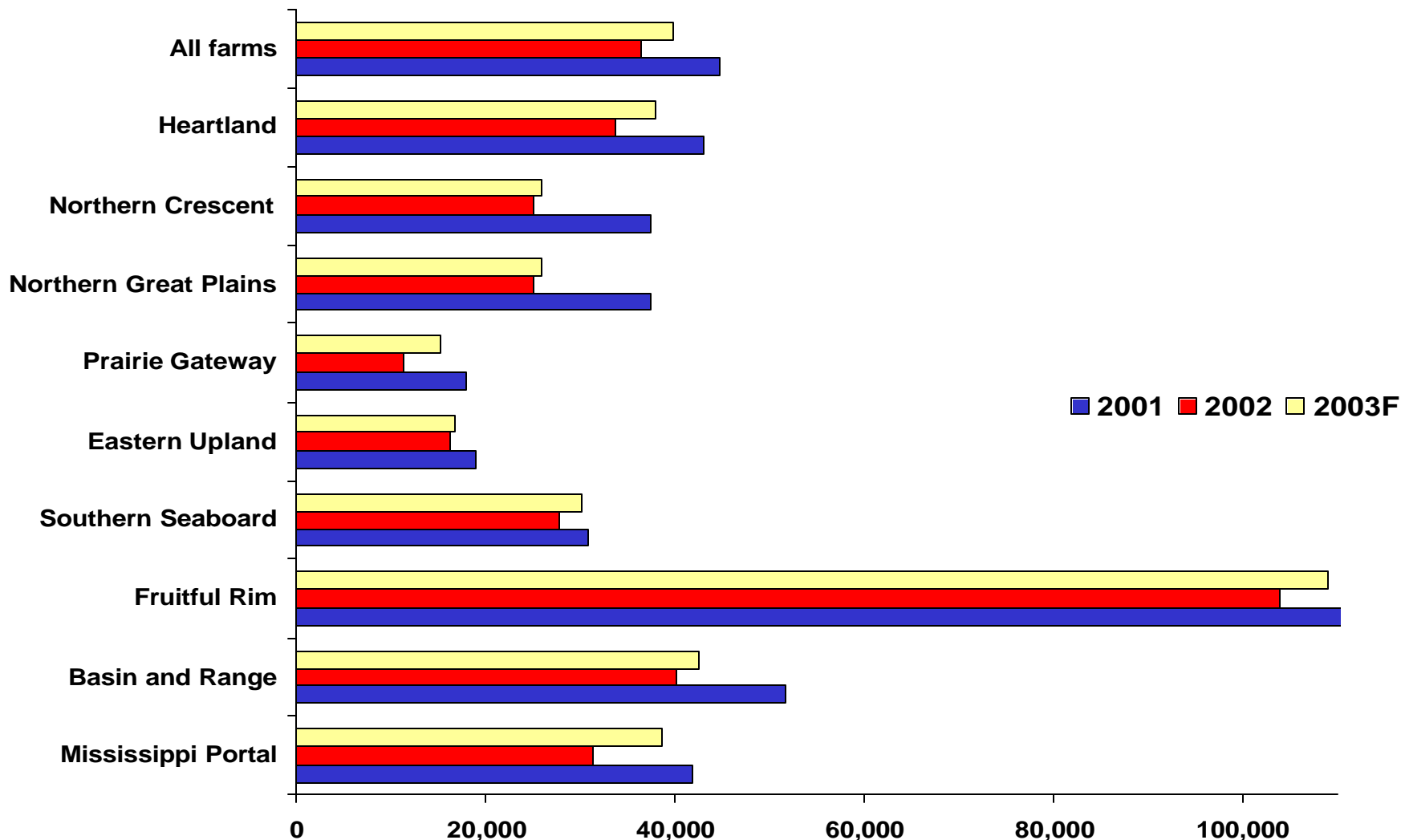
Average net cash income of crop farms, 2001-2003F



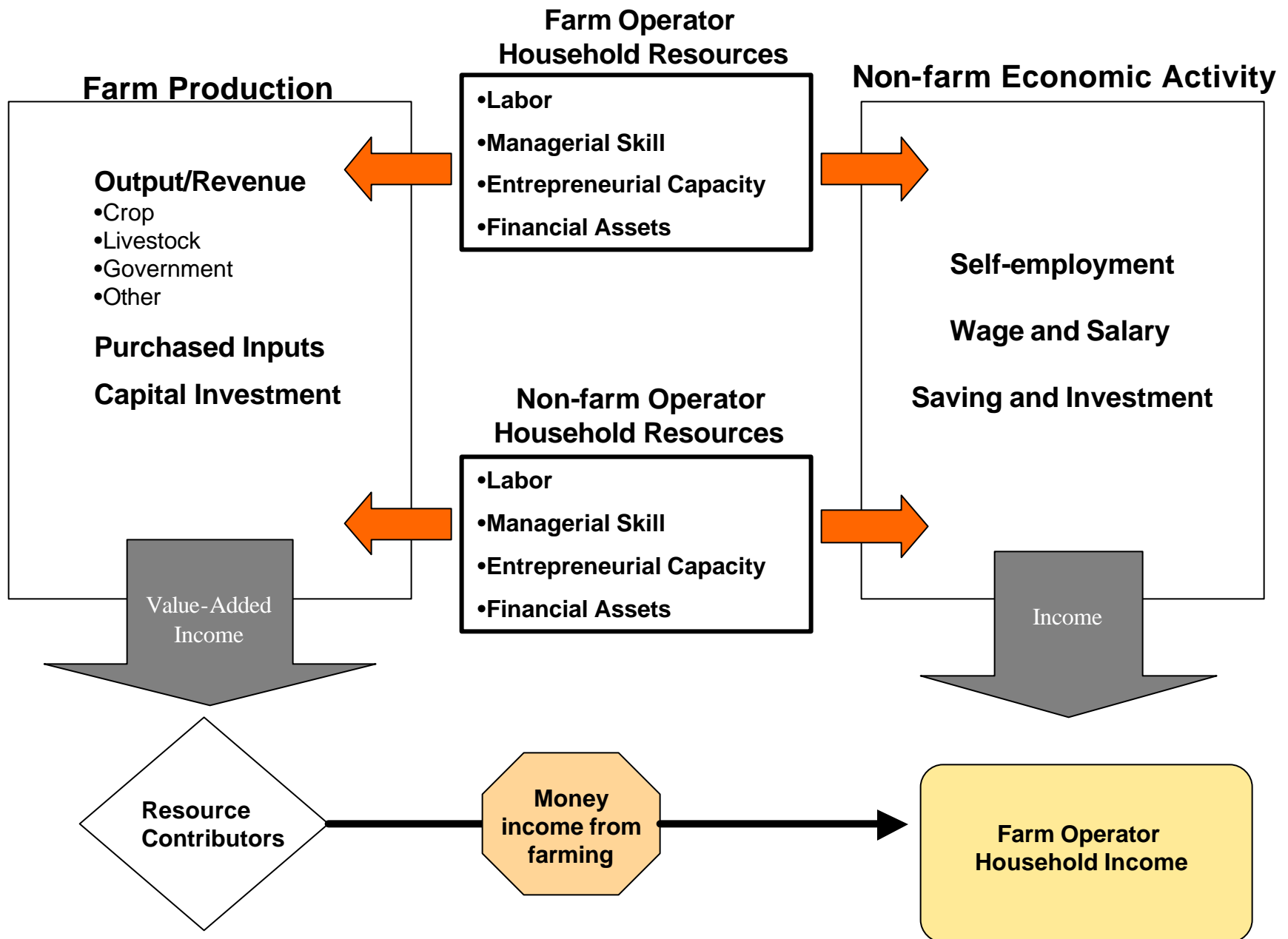
Average net cash income of livestock farms, 2001-2003F



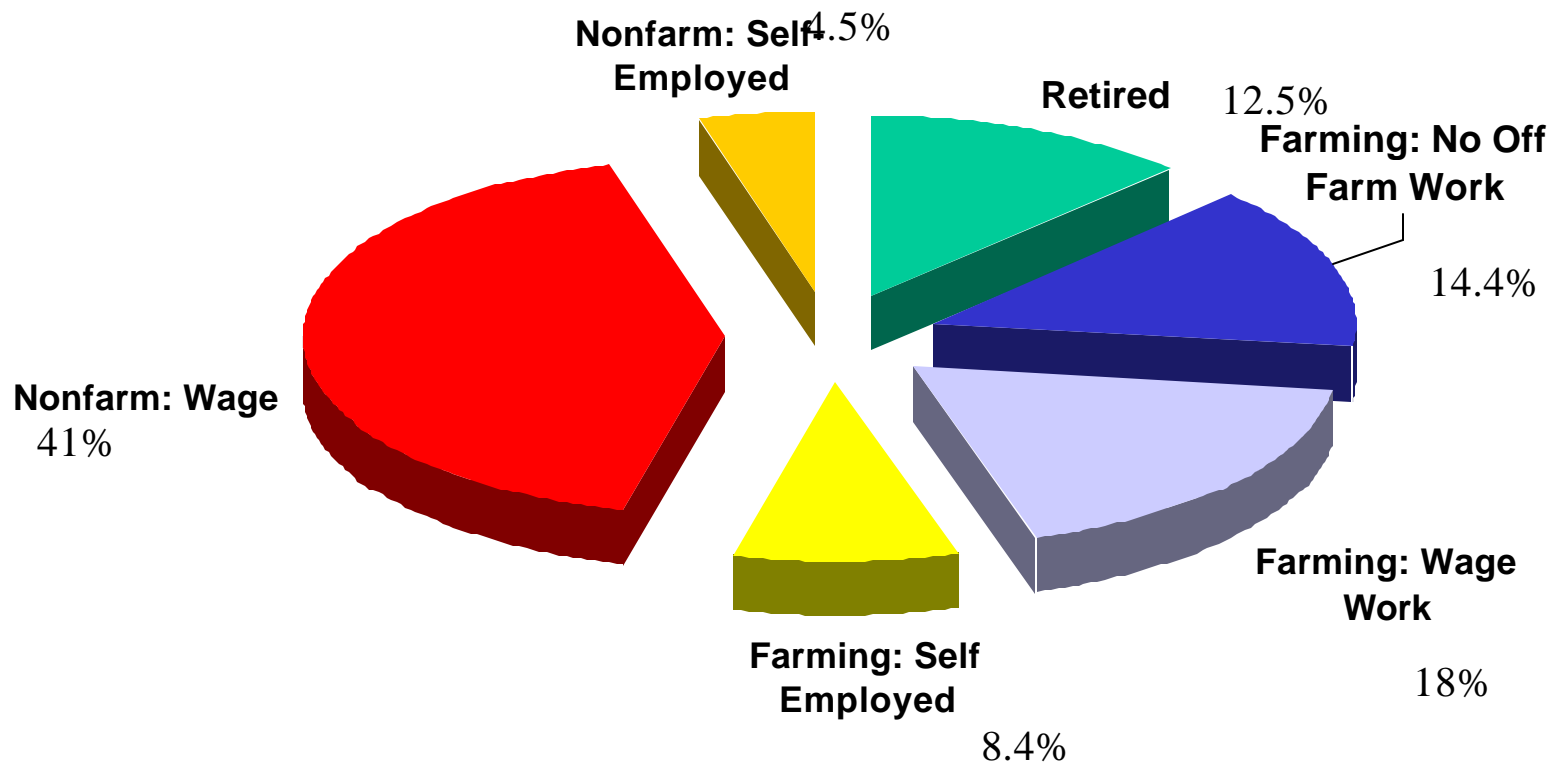
Average net cash income by resource regions, 2001-2003F



Household Resource Allocation and Income Flows

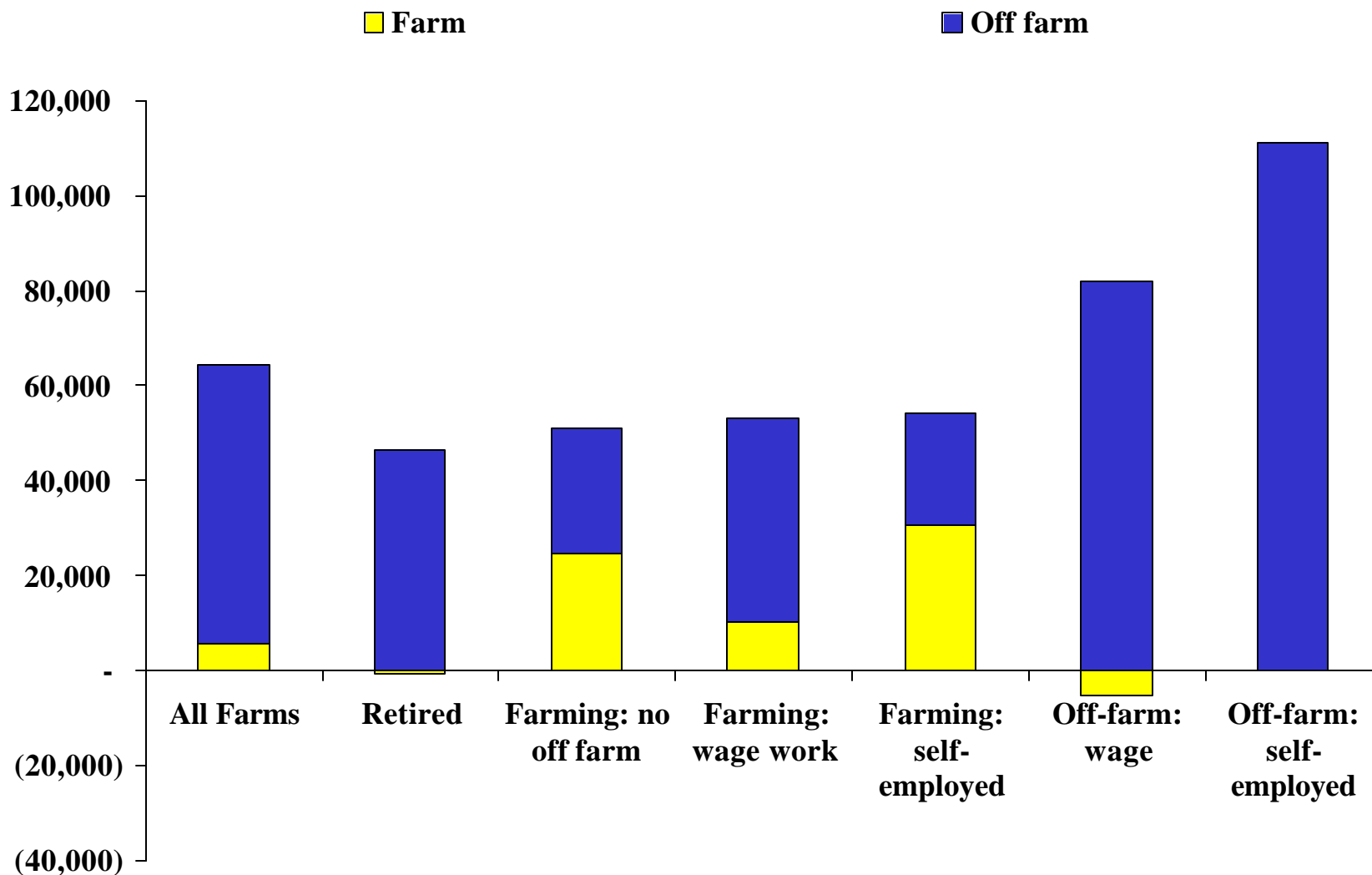


Livelihood Choices of Farm Households, 2001

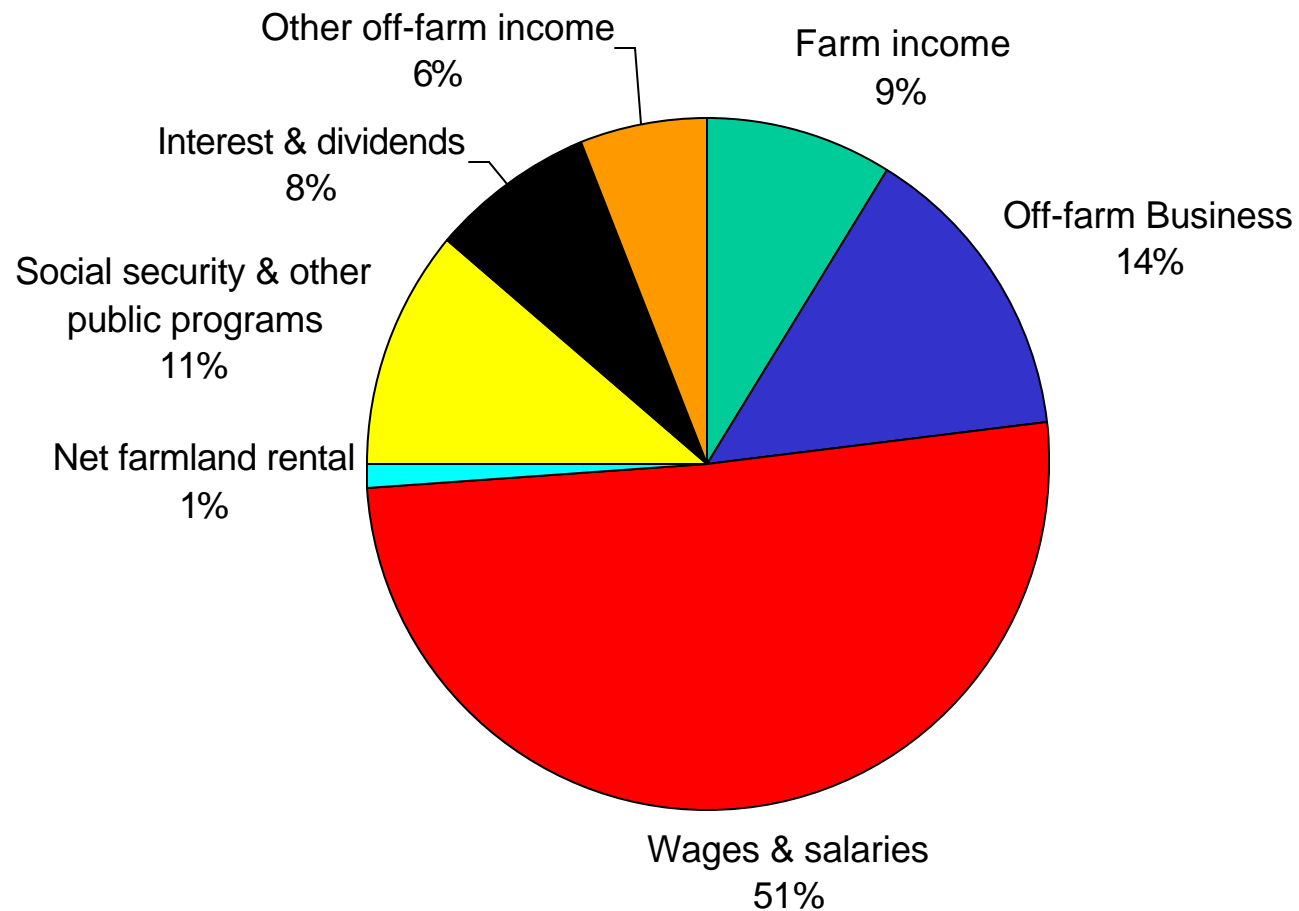


The principal occupation of farmers is either farming, something else, or retired.

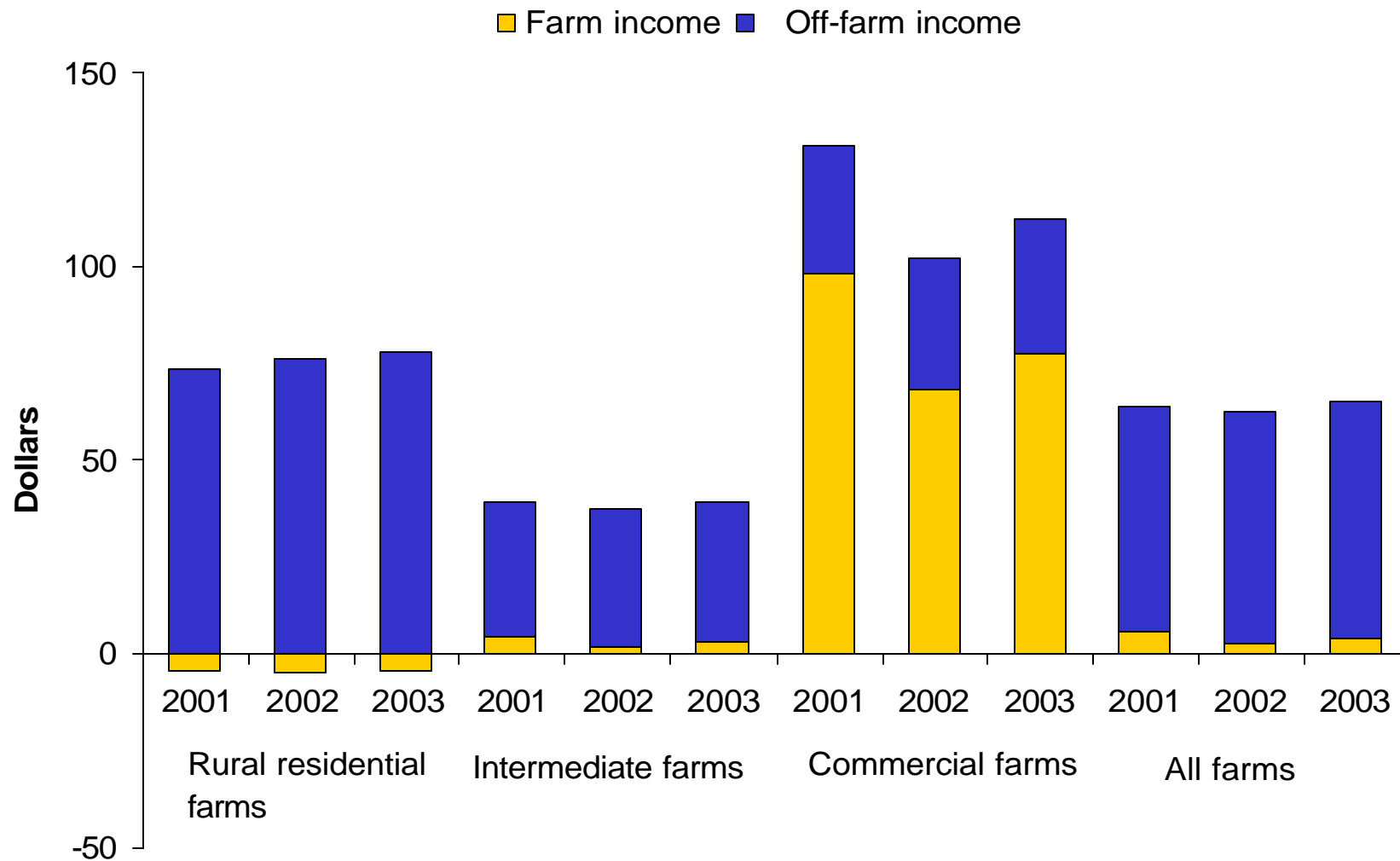
Income Source of Farm Households by Livelihood Class, 2001



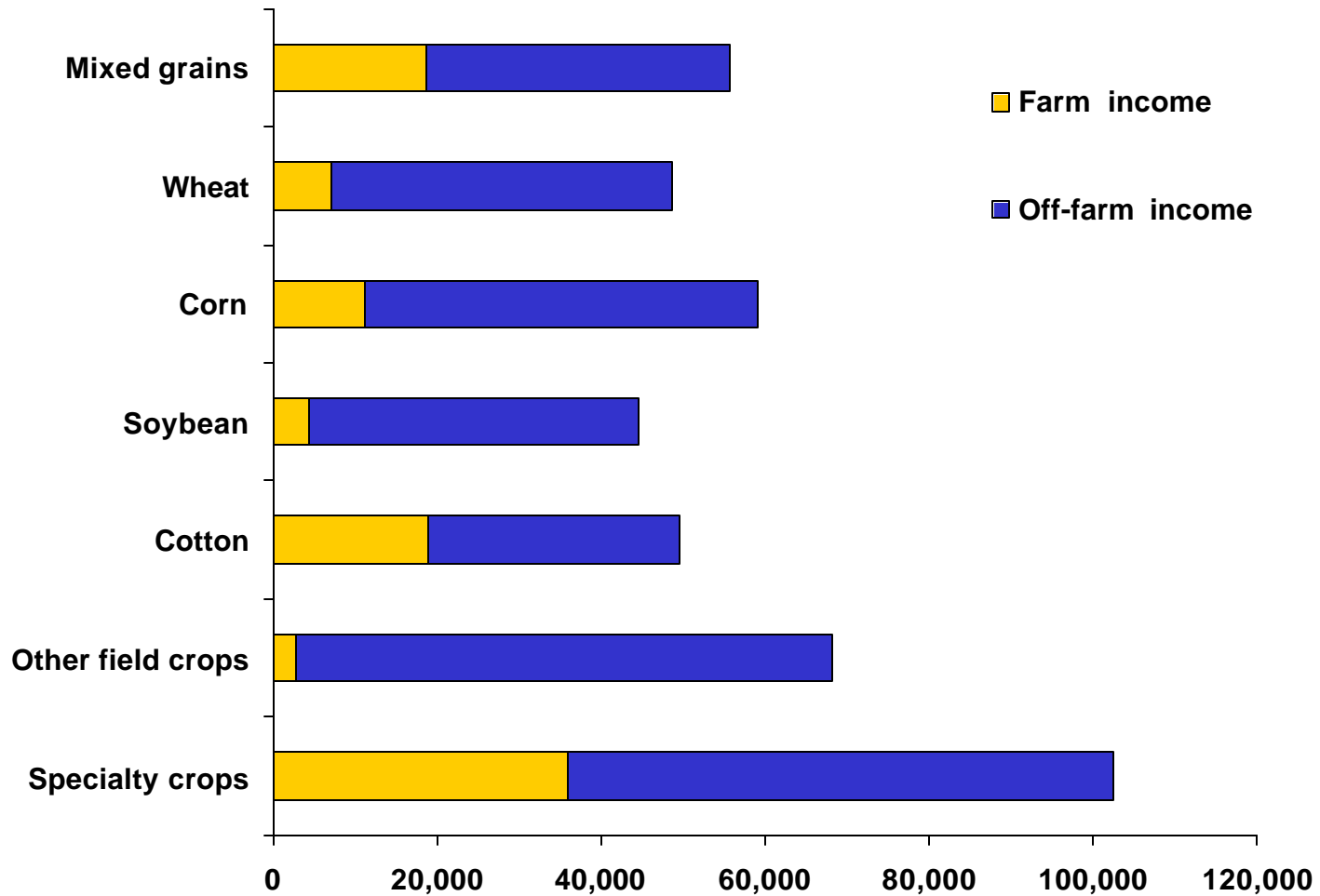
Sources of income for average farm operator household income, 2001



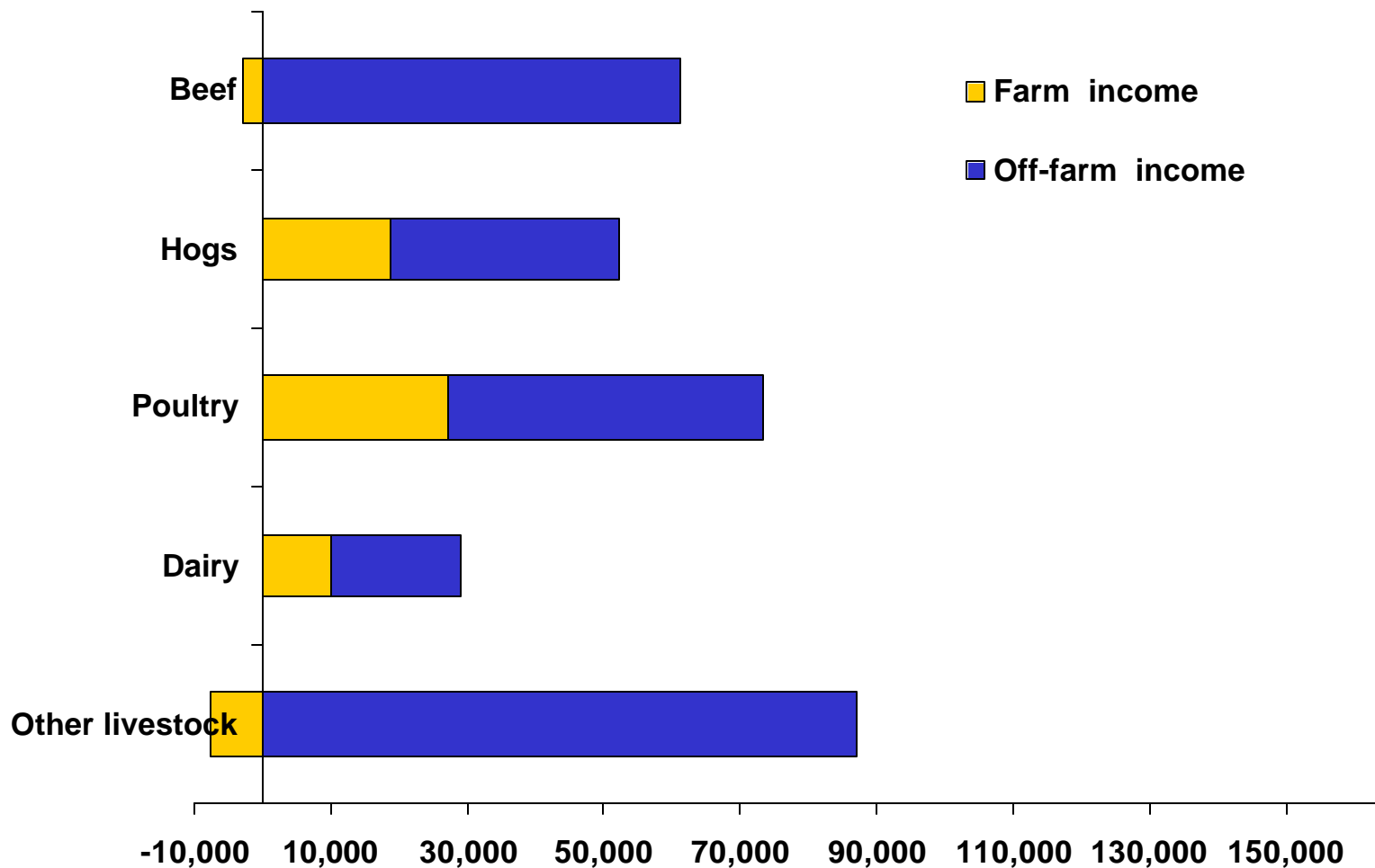
Sources of operator household income by collapsed farm typology 2001-2003F



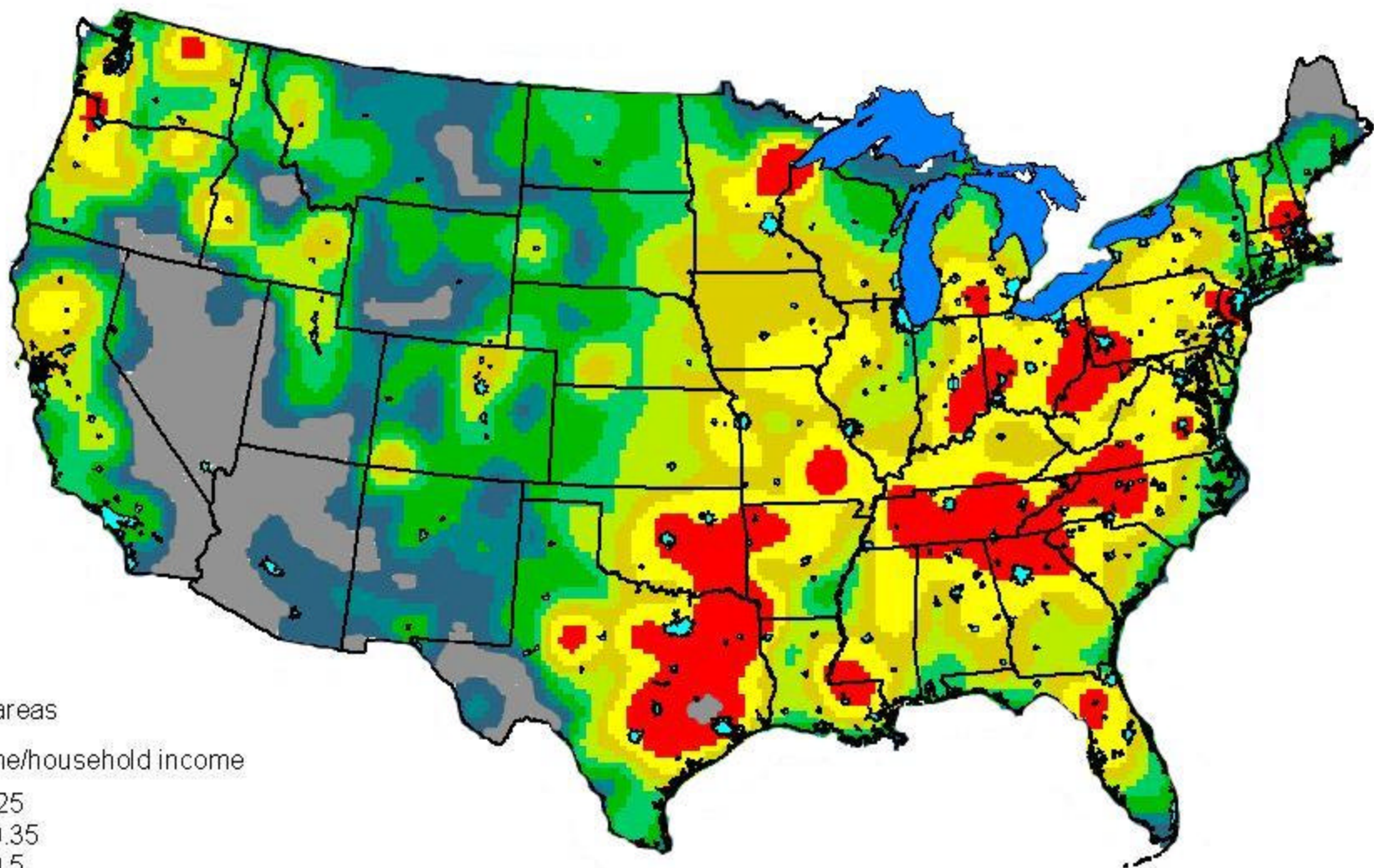
Sources of operator household income of crop farm 2003F




Sources of operator household income of livestock farm 2003F











Share of off-farm income in total household income and location of farms, 2001



 Urban areas

Off farm income/household income

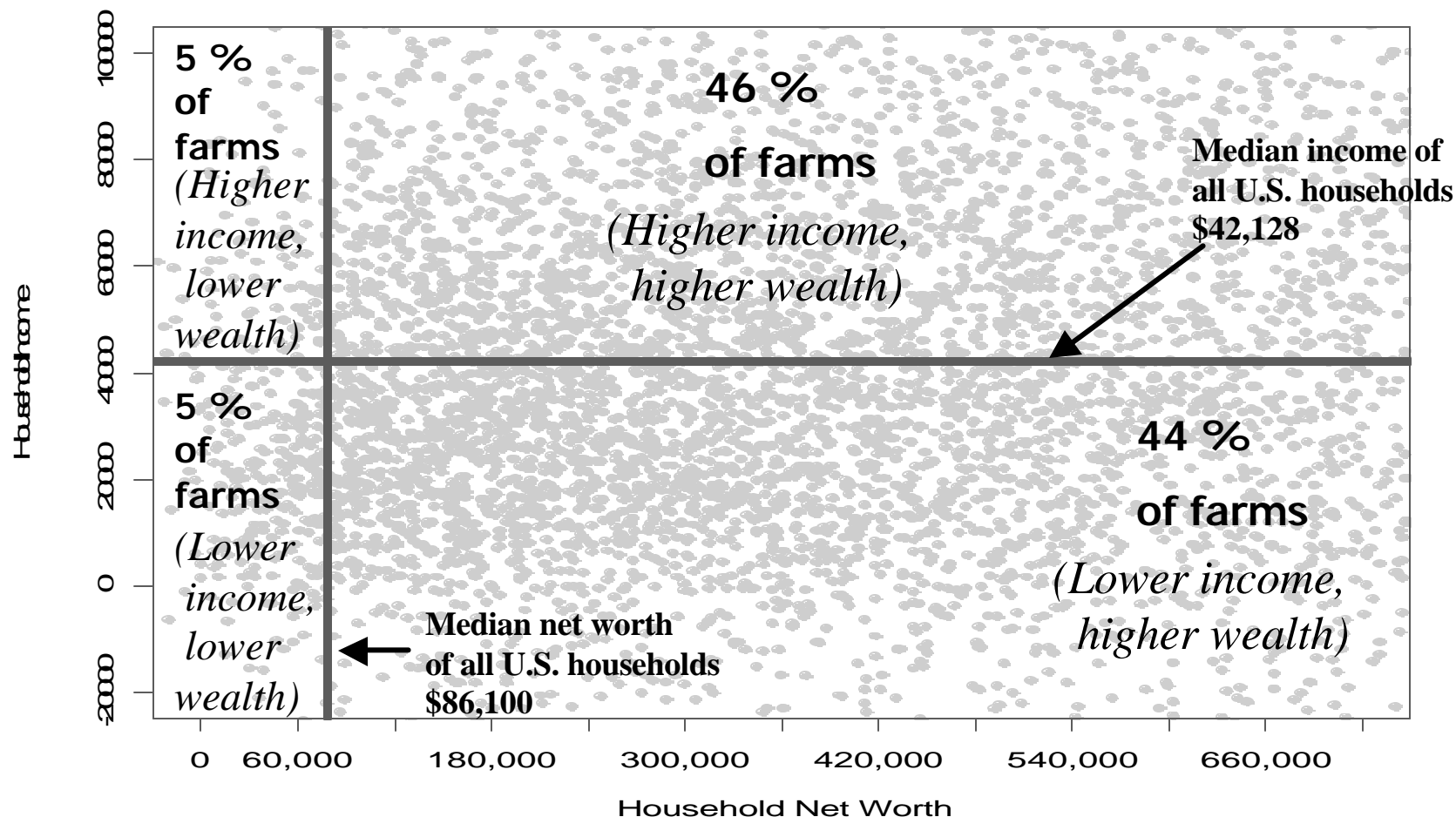
-  0.1 - 0.25
-  0.25 - 0.35
-  0.35 - 0.5
-  0.5 - 0.6
-  0.6 - 0.7
-  0.7 - 0.8
-  0.8 - 0.9
-  0.9 - 1.06

Recent research at ERS, reveals that in assessing well-being of farm households we should consider:

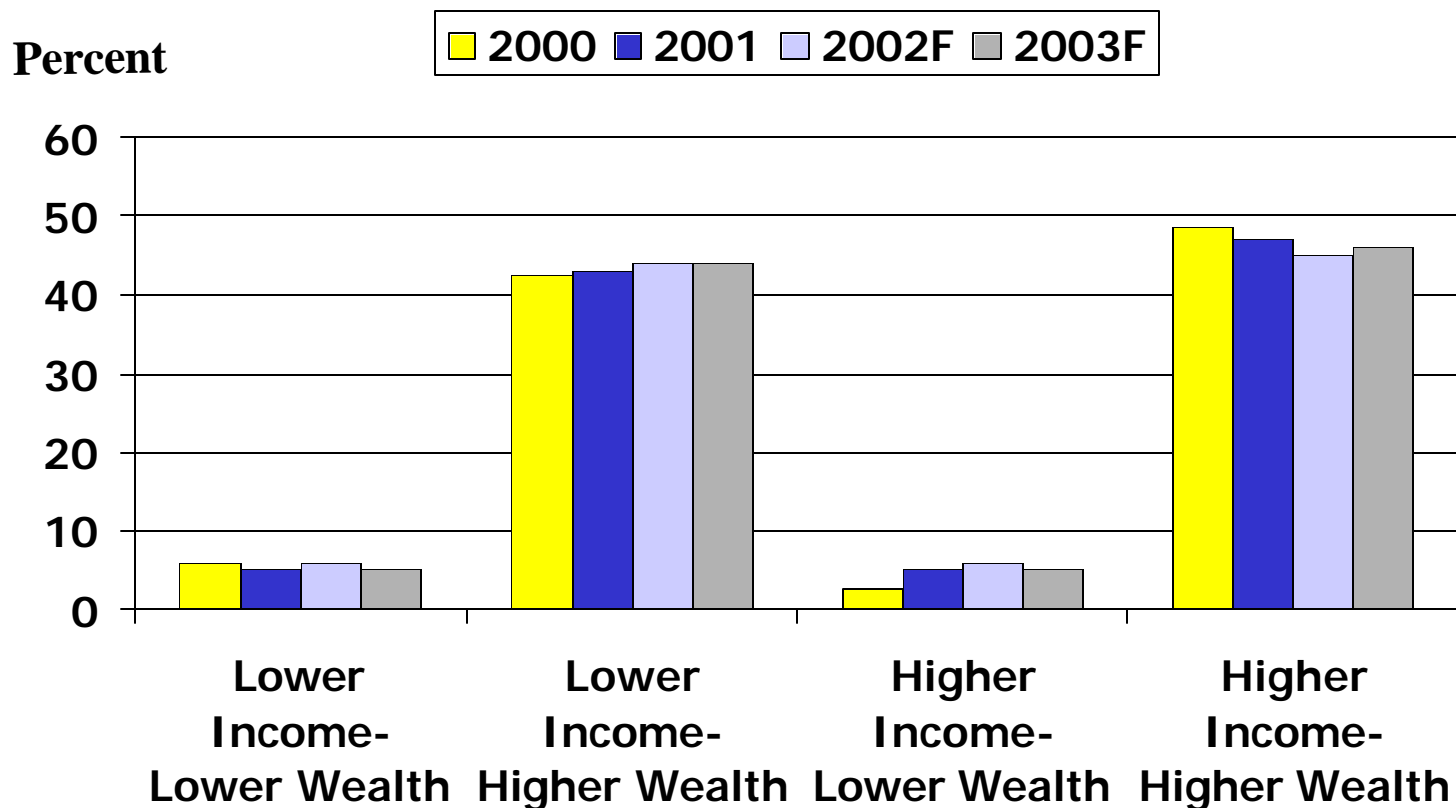
1. Income from both farm and off-farm sources. (Total current income available)
2. Wealth of farm households (both farm nonfarm). (Resources to generate income)

Compare the well-being of farm households with nonfarm households.

Economic well-being of farm households compared to all U.S. households, 2003F



Distribution of farm households, by measures of economic well-being



Income and Wealth Levels for Farm Households are Compared to the Median Levels of Income and Wealth of all U.S. Households

Conclusions

- ▶ Both crop and livestock receipts should exhibit a steady growth pattern in the upcoming 3 to 5 years.
- ▶ Farm households differ in the way they operate their farms, commodity specialization.
- ▶ Dual career farm families are the norm rather than the exception.
- ▶ Farm households have varied sources of income and multiple sources of savings and investment.
- ▶ USDA expects farm households to be in an improved economic position in 2003.
- ▶ Only 5 percent of farm households are expected to be in disadvantaged position relative to all U.S. households.